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SUBJECT: U.S.-ASEAN BUSINESS COUNCIL CONCLUDES THIRD SUCCESSFUL  
BUSINESS MISSION TO CAMBODIA

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¶1. (SBU) SUMMARY: The U.S.-ASEAN Business Council (USABC) recently concluded its third consecutive business mission to Cambodia consisting this year of six multi-national corporations and a maternal health NGO. During the mission, Abbott, Chevron, ConocoPhillips, General Electric (GE), JHPIEGO, Time Warner, and Qualcomm highlighted issues of concern and received a very positive reception from a range of high-level government leaders. The range of issues raised by the delegates included development of the oil and gas sector and resolution of the Cambodian-Thai maritime overlapping claims area, medical regulations, and intellectual property rights. A number of the participants including Abbott, Chevron, GE, JHPIEGO, and Time Warner also highlighted their corporate social responsibility activities benefitting Cambodia. The companies also offered specific technical assistance on a variety of issues, and the government further requested additional assistance from the USG and the U.S. private sector to improve the investment climate. In a sign of support for American commercial activity in Cambodia, Prime Minister Hun Sen welcomed further USABC missions, including another mission next year. END SUMMARY.  
Cambodia Open for Business

¶2. (SBU) During the U.S.-ASEAN Business Council's (USABC) third consecutive mission to Cambodia, six American corporations and a maternal health NGO learned about Cambodian investment opportunities and discussed their companies' interests in Cambodia. Abbott, Chevron, ConocoPhillips, GE, JHPIEGO, Time Warner, and Qualcomm were warmly welcomed by a broad range of Cambodia's top leadership including the Prime Minister; Deputy Prime Minister and Foreign Minister; Deputy Prime Minister and Minister in charge of the Council of Ministers; Deputy Prime Minister and Minister of Economy and Finance; Minister of Commerce; Minister of Posts and Telecommunications; and Minister of Health.

¶3. (SBU) Prime Minister Hun Sen welcomed the delegation and declared that Cambodia is open for business, highlighting Cambodia's open market economy and liberal foreign investment regime, where 100 percent foreign ownership is possible. He also expressed optimism at the prospects for negotiating a resolution of the issue of joint development with the Thai government of oil and gas fields in the maritime overlapping claims area. He was still optimistic about economic growth for the coming year, despite the global economic downturn, but acknowledged that it will take hard work to achieve the RGC's goals. Acknowledging the contributions of Time Warner in improving access to information in Cambodia, the Prime Minister likened being without information to being without food.

¶4. (SBU) During their other meetings with senior RGC officials, the delegates learned about Cambodia's political stability, liberal investment regime, and record of foreign direct investment and strong economic growth. Foreign Minister Hor Namhong and others noted that Cambodia benefits from investment through the transfer of

technology and increased employment and skill development for the labor force, which is growing by at least 200,000 workers per year, according to Deputy Prime Minister Sok An. (NOTE: Cambodia's largest industry, the garment industry, currently employs approximately 300,000 people, down from around 350,000 in mid-2008. END NOTE.)

Companies Raise Issues...

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15. (SBU) While most companies were interested in learning about Cambodian investment opportunities, some had specific issues to discuss with the Cambodian government. USABC delegates raised the following:

-- Abbott, which opened a Cambodian representative office in November 2007 and recorded \$11 million in 2008 sales, sought greater cooperation with the Ministry of Health on compliance with new product registration and label regulations, as well as greater IPR protection.

-- ConocoPhillips and Chevron encouraged the Cambodian government to continue to work with the Royal Thai Government to resolve the maritime overlapping claims area (OCA) in the Gulf of Thailand which likely has exploitable reserves of oil and gas. ConocoPhillips was awarded exploration rights within the OCA in 1998, and Chevron owns exploration rights within a portion of Cambodia's territorial waters where it discovered undisclosed amounts of oil and gas.

-- Time Warner which currently distributes CNN, HBO, Cartoon Network, Time magazine, and Fortune magazine in Cambodia urged greater protection of intellectual property rights of content provided via pirated satellite signals.

...Tut Contributions...

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16. (SBU) In the delegation's initial meeting with Foreign Minister Hor Namhong, Ambassador Rodley stated that while American companies seek to make a profit, they also strive to create a better life for people in local communities. Several of the delegates seized upon this observation and highlighted "win-win" deals as well as their

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corporate social responsibility policies and contributions already underway in Cambodia including:

-- Abbott has donated over \$1 million in nutritional supplies and medicines to needy individuals, partially in the treatment of HIV/AIDS;

-- Chevron has initiated research on drug-resistant strains of tuberculosis;

-- General Electric recently signed an MOU with the Ministry of Health to provide x-ray, ultrasound, and anesthesia machinery to hospitals in 24 provinces in the near future;

-- JHPIEGO is assisting the Ministry of Health and local stakeholders to improve the availability of and access to high-quality, sustainable, maternal and newborn health services; and

-- Time Warner has partnered with the NGO Room to Read to build libraries.

...and Offer Technical Assistance

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17. (SBU) Several companies also offered assistance to the Cambodian government to improve the investment environment. Abbott offered technical assistance on identifying counterfeit medicines; ConocoPhillips offered to advise on the OCA negotiations; Chevron offered to help the Cambodians develop a Petroleum Law; and Time Warner and Qualcomm offered to comment on draft IT and IP laws.

Cambodian Government Open for... Assistance

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18. (SBU) While welcoming the offers of foreign assistance, the Cambodian government also requested further technical assistance. During the mission, the Cambodian government requested assistance in vocational training for some of the 200,000 graduates per year; training/recruiting of mid-wives; enhancing tourism-related regulation, marketing, and internet technology; developing renewable energy including bio, solar, hydro, and wind; building capacity in conducting and evaluating environmental-impact assessments and preserving biodiversity; and improving telecommunication and internet infrastructure, content, and governance.

Tough Times Ahead

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19. (SBU) While highlighting Cambodia's openness to foreign trade and

investment, available investment opportunities, and Cambodia's solid record of economic growth averaging over 10 percent for the past four years, Cambodia's leaders acknowledged difficult times ahead, but still optimistically estimated economic growth to range from three to seven percent in 2009. Government predictions notwithstanding, the IMF the following week released a report predicting negative economic growth for the first time since Cambodia introduced a free market economic system in 1991. Minister of Economy and Finance Keat Chhon acknowledged three of the four pillars of Cambodia's resurgent economy - garments, tourism, and construction - are likely to face significant challenges, thus putting achievement of Cambodia's Millennium Development Goals at risk. As an ominous warning sign, he revealed that tax revenues were down 20 percent from the comparable two-month period a year ago. Recently Commerce Minister Cham Prasidh reported the value of garment exports dropped 50 percent since January 2009, tourism was down 2 percent, and both accounted for an estimated 60,000 lost jobs.

¶10. (SBU) According to the Minister of Economy and Finance, the government will try to stimulate the economy by offering incentives to support key sectors. For example, tax incentives to assist the garment industry; reduced visa and ticket fees to encourage tourism; loosening of credit to boost construction, and investment in infrastructure to support agriculture.

¶11. (SBU) COMMENT: Despite the tough economic times, American companies continue to seek opportunities in Cambodia, and the Cambodian government is more open than ever to a greater American commercial presence. The broad range of high-level meetings showed that the Cambodian government values the skills and technology companies bring to the underdeveloped Cambodian market, and the willingness to discuss and resolve problems shows that the government is pragmatic and eager to attract and retain investment. The economic downturn may shock the Cambodian government into accelerating reforms to improve the business environment. By working with the Cambodian government on issues raised during the mission, U.S. companies can facilitate greater American participation in, and influence upon, Cambodia's economic development and assist Cambodia as it struggles to withstand effects of the global economic crisis. END COMMENT.

RODLEY